

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 09588 01 OF 03 011234Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 PM-04 H-01 INR-07 L-03
NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05 CEA-01
COME-00 EB-08 EA-07 FRB-03 IO-13 NEA-10 OPIC-03
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 /108 W
-----011239Z 005190 /11

O R 011229Z APR 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 5982
INFO ALL OECD CAPITALS

LIMITED OFFICIAL USE SECTION 01 OF 03 OECD PARIS 09588

E.O. 11652: N/A
TAGS: OECD, EFIN, ETRD
SUBJECT: VAN LENNEP REPORT ON TRIP TO US; CONCERN
RAISED IN COUNCIL RE FINANCIAL SUPPORT FUND

1. SUMMARY: IN REPORT TO MARCH 31 COUNCIL ON HIS TRIP
TO U.S., SECGEN STATED MAIN THEME THAT EMERGED WAS THAT
WHILE PROSPECTS FOR U.S. ECONOMY WERE GOOD, THERE WAS
NEED TO STRENGTHEN GENERAL CONFIDENCE IN ABILITY OF
GOVERNMENTS TO CONTROL INFLATION AND PROMOTE GROWTH, AND
THAT THIS IS PARTICULARLY TRUE IN EUROPE. IN ADDITION,
HE SAID FOUR POINTS OF INTEREST TO OECD STOOD OUT:
(A) U.S. OFFICIALS HAD STRESSED NEED FOR INTERNATIONAL
ECONOMIC COORDINATION AND IMPORTANCE OF OECD IN THIS
REGARD; (B) USG WAS DETERMINED TO IMPLEMENT A MORE
EFFECTIVE ENERGY POLICY; (C) THE USG WAS CONCERNED
ABOUT GROWING DOMESTIC PROTECTIONIST PRESSURES;
(D) THE USG HAD NOT YET DETERMINED ITS POSITION ON NEW
INTERNATIONAL FINANCING ARRANGEMENTS, INCLUDING
DESIRABILITY OF FINANCIAL SUPPORT FUND (FSF). IN
SUBSEQUENT COUNCIL DISCUSSION, SEVERAL DELS EXPRESSED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 09588 01 OF 03 011234Z

CONCERN AT US HESITATION ON FSF AND ONE DEL VOICED
WORRY OVER POSSIBLE PROTECTIONISM IN US. END SUMMARY

2. AT MARCH 31 COUNCIL, SECGEN VAN LENNEP REPORTED
ON HIS TRIP TO U.S. NOTING THAT HE HAD SEEN VICE
PRESIDENT MONDALE, SEVEN CABINET-LEVEL MEMBERS OF THE
ADMINISTRATION, AND MANY OTHER SENIOR OFFICIALS, SECGEN

INDICATED HE HAD BEEN VERY IMPRESSED BY THE EFFICIENCY WITH WHICH HIS VISIT HAD BEEN ORGANIZED AND HE EXPRESSED HIS DEEP APPRECIATION TO THE U.S. AUTHORITIES FOR THEIR ORGANIZATION OF HIS SCHEDULE AND THEIR HOSPITABLE RECEPTION. ON SUBSTANCE, SECGEN STATED THAT THE MAIN THEME THAT HAD EMERGED FROM HIS MEETINGS WAS THAT WHILE PROSPECTS FOR U.S. ECONOMY SEEMED GOOD, THERE WAS A GENERAL NEED TO STRENGTHEN CONFIDENCE IN THE ABILITY OF GOVERNMENTS TO CONTROL INFLATION AND PROMOTE GROWTH AND THAT THIS IS PARTICULARLY TRUE IN EUROPE. SECGEN STATED THAT FOUR MAIN POINTS OF PARTICULAR INTEREST TO OECD STOOD OUT IN HIS MIND WITH REGARD TO HIS DISCUSSIONS WITH U.S. AUTHORITIES:

A) ESPECIALLY VICE-PRESIDENT MONDALE AND SECRETARY BLUMENTHAL STRESSED THE NEED TO IMPROVE COORDINATION ON THE OBJECTIVES AND INSTRUMENTS OF INTERNATIONAL ECONOMIC POLICY AND EFFECTIVELY TO MONITOR PROGRESS MADE IN REACHING AGREED OBJECTIVES. BOTH HAD UNDERSCORED THE IMPORTANT ROLE THE OECD HAD TO PLAY IN THESE MATTERS.

B) THE NEW ADMINISTRATION IS DETERMINED TO IMPLEMENT A MORE EFFECTIVE ENERGY POLICY. SECGEN ANTICIPATED THAT THE PROGRAM TO BE ANNOUNCED ON APRIL 20 WOULD BE QUITE TOUGH.

C) THE U.S. GOVERNMENT IS VERY MUCH CONCERNED ABOUT THE GROWING PROTECTIONIST PRESSURES IN THE U.S. -- LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 09588 01 OF 03 011234Z

NOTABLY IN CONNECTION WITH SHOES, SUGAR AND TVS. NEARLY ALL AGENCIES OF THE U.S. GOVERNMENT, HOWEVER, WANTED TO FIND A LIBERAL SOLUTION TO THESE PROBLEMS. SECGEN INDICATED THAT HE HAD STRESSED HOW UNFORTUNATE IT WOULD BE IF IT WERE THE U.S. THAT MADE A MAJOR MOVE TOWARD PROTECTION.

D) THE AMERICAN AUTHORITIES ARE STILL IN THE PROCESS OF DETERMINING THEIR POSITION ON NEW ARRANGEMENTS TO AUGMENT OFFICIAL INTERNATIONAL FINANCING. THEY WERE FOLLOWING WITH INTEREST THE EFFORTS OF IMF MANAGING DIRECTOR WITTEVEEN TO EXPLORE MEANS FOR OBTAINING ADDITIONAL RESOURCES FOR THE IMF BY THE NEGOTIATION OF LINES OF CREDIT FROM STRONG COUNTRIES, INCLUDING, IN PARTICULAR, THOSE OIL PRODUCING COUNTRIES WITH LARGE FINANCIAL SURPLUSES. NO DECISION HAS YET BEEN TAKEN CONCERNING THE RATIFICATION OF THE FINANCIAL SUPPORT FUND BY THE UNITED STATES. IN THIS RESPECT, THE SECRETARY-GENERAL INDICATED HE HAD MADE A NUMBER OF

POINTS TO THE U.S. AUTHORITIES ADDUCING REASONS

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 09588 02 OF 03 011233Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 PM-04 H-01 INR-07 L-03
NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05 CEA-01
COME-00 EB-08 EA-07 FRB-03 IO-13 NEA-10 OPIC-03
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 /108 W
-----011239Z 004907 /11

O R 011229Z APR 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 5983
INFO ALL OECD CAPITALS

LIMITED OFFICIAL USE SECTION 02 OF 03 OECD PARIS 09588

WHY THE CONCEPT OF THE FSF WAS STILL VALID, WHILE
NOTING THAT THERE IS A CASE FOR TRYING TO STRENGTHEN
THE IMF'S ABILITY TO PROVIDE BALANCE OF PAYMENTS
FINANCING, PARTICULARLY TO ITS DEVELOPING COUNTRY
MEMBERS AND THAT THE FSF WAS CONCEIVED FROM THE
OUTSET AS COMPLEMENTING RATHER THAN SUBSTITUTING FOR
THE CENTRAL ROLE OF THE IMF IN PROVIDING BALANCE OF
PAYMENTS SUPPORT. SECGEN SAID THAT U.S. OFFICIALS
RECOGNIZED THAT A SUBSTANTIAL ADDITION TO OFFICIAL
MULTILATERAL FINANCING FACILITIES WAS NECESSARY AND
THAT THE IMPLICATIONS OF THE VARIOUS POSSIBILITIES
NEEDED TO BE STUDIED CLOSELY TO SEE WHETHER THEY WOULD
GENERALLY COVER THE NEEDS. FINALLY, SECGEN POINTED
OUT THAT IT WAS HIS UNDERSTANDING THAT THE QUESTION
OF ALTERNATIVE FINANCING FACILITIES WOULD BE EXAMINED
AT A MEETING OF THE DEPUTIES OF THE GROUP OF TEN IN
PARIS IN ABOUT TWO WEEKS.

3. SECGEN'S PRESENTATION DREW REACTIONS FROM SEVERAL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 09588 02 OF 03 011233Z

MEMBERS OF THE COUNCIL, MAINLY ON THE QUESTION OF THE FINANCIAL SUPPORT FUND. FRENCH STARTED OFF BY ASKING CLARIFICATION FROM VAN LENNEP AS TO WHETHER U.S. AUTHORITIES CONSIDER POSSIBLE NEW FACILITIES IN THE IMF AS REPLACING FSF WHICH NOT YET RATIFIED BY CONGRESS, OR WHETHER THE TWO MECHANISMS MIGHT COEXIST. SECGEN REPLIED THAT IT WAS HIS IMPRESSION THAT IF A NEW IMF FACILITY COULD MEET THE THREE CRITICAL, CURRENT WORLD FINANCIAL PROBLEMS: (A) PROVIDE FINANCING FOR OECD COUNTRIES (AND ESPECIALLY THE SMALLER OECD COUNTRIES WITH BALANCE OF PAYMENTS PROBLEMS), (B) PROVIDE BALANCE OF PAYMENTS FINANCING FOR LESS-DEVELOPED COUNTRIES, AND (C) REDUCE THE RELATIVE ROLE OF COMMERCIAL BANKS IN FINANCING DEFICIT COUNTRIES (ESPECIALLY LDC'S), THEN THE U.S. WOULD BE INCLINED TO DROP THE IDEA OF FSF. ONE IMPORTANT REASON FOR THIS, THE SECGEN NOTED, WAS THAT THE U.S. EXECUTIVE BRANCH FELT THAT IT WOULD BE EASIER TO GET ONE, RATHER THAN TWO ACTIONS FROM THE CONGRESS. HOWEVER, SHOULD THE IMF SCHEME NOT ADEQUATELY ADDRESS THESE PROBLEMS - AND, THE SECGEN STRESSED, THE U.S. FULLY RECOGNIZED THE NEED FOR SUBSTANTIAL, ADDITIONAL SOURCES OF OFFICIAL BALANCE OF PAYMENTS FINANCING, ESPECIALLY FOR CERTAIN SMALL OECD COUNTRIES -- THE U.S. WOULD CERTAINLY RECOMMEND FSF RATIFICATION BY THE CONGRESS.

4. ITALIAN DEL ARGUED THERE WAS STILL A NEED FOR THE FSF AND THAT IT WAS INAPPROPRIATE FOR THE U.S. TO CALL THE FSF INTO QUESTION AFTER IT HAD BEEN AGREED TO BY THE COMPETENT U.S. AUTHORITIES IN THE OECD. SPANISH DEL EMPHASIZED HIS GOVERNMENT'S CONTINUING STRONG SUPPORT FOR THE FSF AND REQUESTED THAT THE SECGEN CONTINUE HIS EFFORTS TO WIN U.S. APPROVAL OF IT. NEW ZEALAND DEL EXPRESSED HOPE THAT WASHINGTON WAS TAKING ACCOUNT OF NEEDS OF SMALLER COUNTRIES AND POINTED OUT THAT REJECTION OF THE FSF WOULD HAVE IMPLICATIONS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 09588 02 OF 03 011233Z

FOR THE RENEWAL OF THE TRADE PLEDGE. FINNISH DEL ALSO INDICATED SOME CONSTERNATION AT APPARENT U.S. POSITION ON FSF. WHILE STATING HIS GOVERNMENT'S STRONG SUPPORT FOR FSF, DANISH DEL SUGGESTED THAT IT WOULD BE WRONG FOR OECD COUNTRIES TO DEMONSTRATE INTEREST ONLY IN THE FSF SINCE, AS HAD BEEN NOTED, WORLD FINANCIAL PROBLEMS EXTENDED BEYOND THE OECD AREA. DANISH DEL QUERIED WHETHER OECD WOULD HAVE OPPORTUNITY TO PRESENT ITS VIEWS AT

UPCOMING G-10 MEETING. IN RESPONSE TO THESE FURTHER COMMENTS ON THE FSF, THE SEC GEN NOTED AGAIN HIS FEELING THAT IF U.S. AUTHORITIES COME TO THE CONCLUSION THAT THIS FACILITY WAS NOT ADEQUATE TO MEET THE THREE REQUIREMENTS MENTIONED, THEY WOULD FALL BACK ON A SOLUTION OF HAVING TWO ACTIONS, ONE THROUGH THE OECD AND ONE THROUGH THE IMF. HE NOTED THAT THE SECRETARIAT WILL ATTEND G-10 DEPUTIES MEETING. SINCE DECISION FOR THE MEETING ONLY TAKEN RECENTLY, SECRETARIAT HAS NOT HAD CHANCE TO REFLECT ON THE CONTRIBUTION IT COULD MAKE. IT IS OF COURSE NOT VERY EASY FOR THE OECD TO EVALUATE THE NEEDS FOR ADDITIONAL RESOURCES FOR THE IMF AS AN ORGANIZATION, NOR DOES THE OECD HAVE A GENERAL EVALUATION OF THE PROBLEM FACED BY THE BANKING SYSTEM IN ITS INTERMEDIARY FUNCTION. HOWEVER, THE SECRETARIAT CAN, IN GENERAL TERMS, EXPRESS ITS VIEWS AS TO THE DESIRABILITY OF DEALING WITH THE THREE PROBLEMS UNDER DISCUSSION AND ON THE WAY IN WHICH THIS COULD BE DONE APPROPRIATELY AS A COMPLEMENTARY ACTION. WE CAN MAKE IT CLEAR THAT IT IS NOT OECD'S OPINION THAT THERE SHOULD BE EITHER

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 09588 03 OF 03 011229Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 PM-04 H-01 INR-07 L-03
NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05 CEA-01
COME-00 EB-08 EA-07 FRB-03 IO-13 NEA-10 OPIC-03
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 /108 W
-----011239Z 004951 /11

O R 011229Z APR 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 5984
INFO ALL OECD CAPITALS

LIMITED OFFICIAL USE SECTION 03 OF 03 OECD PARIS 09588

A FACILITY FOR THE OECD COUNTRIES OR A FACILITY FOR

THE WORLD AS A WHOLE. THERE IS ALSO THE POSSIBILITY THAT THERE CAN BE AN OECD FACILITY IN ADDITION TO A MEANS FOR DEALING WITH THE RECOGNIZED NEEDS OF THE DEVELOPING COUNTRIES.

5. SPANISH DEL ALSO NOTED THAT POSSIBLE PROTECTIONISM IN THE U.S. WAS OF GREAT CONCERN TO HIS COUNTRY, ESPECIALLY WITH REGARD TO SHOES, AND SAID THAT IF PROTECTIONISM SHOULD MANIFEST ITSELF IN THE U.S. THIS WOULD HAVE VERY UNFORTUNATE IMPLICATIONS ESPECIALLY FOR COUNTRIES WITH VERY LARGE CURRENT ACCOUNT DEFICITS. SECGEN REITERATED THAT THE EXECUTIVE BRANCH OF THE U.S. GOVERNMENT WANTED TO AVOID TRADE RESTRICTIONS. HE ADDED, HOWEVER, THAT THE U.S. CONSTITUTIONAL SYSTEM - WHICH GIVES CONGRESS A STRONG ROLE IN THE TRADE FIELD - PRESENTED SPECIAL DIFFICULTIES FOR THE U.S. EXECUTIVE BRANCH IN ITS EFFORTS TO CONTAIN PROTECTIONIST PRESSURES. SECGEN ALSO NOTED THAT PROTECTIONIST LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 09588 03 OF 03 011229Z

PRESSURES IN EUROPE WERE JUST AS GREAT AS THOSE IN

5. VERBATIM TRANSCRIPT OF THE SECGEN'S REPORT ON HIS TRIP TO THE U.S. AND SUBSEQUENT COUNCIL DISCUSSION TO BE HAND-CARRIED TO PAUL LAASE, EUR/RPE. TURNER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SECRETARY GENERAL, VISITS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OECDP09588
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770112-0385
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770498/aaaadhkc.tel
Line Count: 308
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: aa9f8bab-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2926642
Secure: OPEN
Status: NATIVE
Subject: VAN LENNEP REPORT ON TRIP TO US; CONCERN RAISED IN COUNCIL RE FINANCIAL SUPPORT FUND
TAGS: EFIN, ETRD, US, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/aa9f8bab-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009